

Message Text

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PAGE 01 KHARTO 00260 071202Z

51 S

ACTION EB-11

INFO OCT-01 AF-10 EUR-25 NEA-11 ISO-00 COME-00 TRSE-00

OPIC-12 AID-20 OMB-01 AGR-20 INT-08 FAA-00 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04

RSC-01 PRS-01 SPC-03 SS-20 USIA-15 SAM-01 DRC-01 /198 W

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R 071015Z FEB 74

FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC 7686

INFO USINT CAIRO

AMEMBASSY JIDDA

AMEMBASSY LONDON

C O N F I D E N T I A L KHARTOUM 0260

E.O. 11652: GDS

TAGS: PFOR, SA, SU, EAID

SUBJ: KASHOGGI VISIT SIGNALS INCREASING TEMPO SAUDI/SUDANESE
ECONOMIC COOPERATION WITH PARTICIPATION AMERICAN FIRMS

REF: KHARTOUM 0064

1. SUMMARY. WITH \$200 MILLION SAUDI AID FOR SUDAN ANNOUNCED,
TRIAD CORPORATION PLANS DEVELOP SERIES MAJOR PROJECTS HERE,
WITH ASSISTANCE MAJOR AMERICAN FIRMS ARE MOVING INTO HIGH GEAR.
IN TEA DISCUSSION WITH NIMEIRI FEB 5 (TO WHICH PRESIDENT
INVITED ME), PREDOMINATLY AMERICAN GROUP DISCUSSED VARIOUS
PROJECTS WHICH IS HOPED CAN NOW BE MOVED RAPIDLY TO IMPLE-
MENTATION STAGE. GROUP CONCLUDED TWO STANFORD RESEARCH
OFFICIALS WHO INDICATED SRI LIKELY UNDERTAKE SAME DEVELOPMENT
ROLE HERE AS IN SAUDI ARABIA. AS LONG AS FUNDS FORTHCOMING FOR
PARTICULAR PROJECTS, I BELIEVE THIS OPERATION, AND ASSOCIA-
TION THEREWITH NUMBER WELL-KNOWN AMERICAN FIRMS, LIKELY
NOT ONLY HAVE MAJOR IMPACT ON SUDANESE DEVELOPMENT IN NEXT
FEW YEARS BUT ALOS IMPROVE AND BROADEN USG/GOS RELATIONS.
END SUMMARY.

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PAGE 02 KHARTO 00260 071202Z

2. ON HEELS ANNOUNCEMENT \$200 MILLION IN SAUDI AID FOR SUDAN (KHARTOUM 0064 NOTAL), SAUDI FINANCIER KASHOGGI PAID RENEWED VISIT KHARTOUM FEB 5-6 WITH A CLUTCH OF HIS TRIAD CORPORATION ASSOCIATES (MANY OF WHOM ARE AMERICAN) AND OTHER AMERICAN CONSULTANTS IN ORDER MOVE FORWARD ON MAJOR DEVELOPMENT PROJECT IN AGRICULTURE, OIL REFINING, MERNMANT BANKING, TEXTILES, SUGAR AND AIRPORTS FOR MOST OF WHICH TRIAD HAS PRELIMINARY LICENSES FROM GOS (PARA 3 REFTEL). PRESIDENT NIMEIRI INCLUDED ME IN SMALL THREE-HOUR TEA AT PRESIDENTIAL PALACE FEB 5 LIMITED TO TEN-MEMBER TRIAD DELEGATION PLUS MINSFONAFFS AND FIN AND MINSTSPECAFF IDRIS. FOLLOWING SUMMARIZES DISCUSSION.

3. TRIAD CORPORATION EXPECTS PLAY KEY ROLE IN PULLING TOGETHER NUMBER CONSORTIUMS AND ARRANGING FINANCING FOR SPECIAL DEVELOPMENT PROJECTS SUDAN, USING \$200 MILLION SAUDI GUARANTEE FOR REQUIRED EQUITY FINANCING. IN ADDITION OIL REFINERY, FEASIBILITY STUDY ON WHICH NOW UNDER WAY BY FRENCH FIRM (AND CONSTRUCTION OF WHICH KASHOGGI TOLD ME WOULD BE OPEN INTERNATIONAL TENDER), GROUP INTERESTED PUSHING CATTLE RANCHING AND OTHER AGRICULTURAL SCHEMES. ONE OF AMERICANS PRESENT WAS EXPERIENCED CATTLE RANCHER FROM ARIZONA. ANOTHER WAS AMERICAN BANKER FORMERLY EMPLOYED BY CONTINENTAL ILLINOIS, A THIRD MEDICAL DIRECTOR OF WHITTAKER CORPORATION OF LOS ANGELES, AND TWO OTHERS MEMBERS STANFORD RESEARCH INSTITUTE (SRI) (SEE BELOW).

4. WHOLE ENTERPRISE IS EXPECTED OPERATE ON FOLLOWING LINES. USING \$200 MILLION SAUDI GUARANTEE, CAPITALIZATION WILL BE ARRANGED FOR MERCHANT BANK AND ACCOMPANYING DEVELOPMENT CORPORATION WHICH TRIAD WILL SET UP KHARTOUM. KASHOGGI TOLD ME HE HAD DISCUSSED PROJECT WITH DAVID ROCKEFELLER WEEK AGO AND CLAIMED CHASE WOULD TAKE 20 PERCENT MERCHANT BANK SHARES AND PROVIDE SOME OF NECESSARY TOP MANAGEMENT. MEANWHILE, SRI WOULD BE ENGAGED BY GOS TO: (A) PREPARE NEW FIVE-YEAR DEVELOPMENT PLAN WHICH WOULD REPLACE OUT-MODED SOVIET EFFORT; AND (B) VET SPECIFIC PROJECTS OF REFERRAL TO MERCHANT BANK/DEVELOPMENT CORPORATION. PROJECTS APPROVED AS ECONOMICALLY VIABLE WOULD THEN BE PROPOSED FOR CONFIDENTIAL

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PAGE 03 KHARTO 00260 071202Z

INTERESTED FOREIGN FIRMS. GROUP LOOKING AT PROJECTS EXPECTED HAVE COMMERCIAL PAYOUT IN APPROXIMATELY SEVEN YEARS (I.E. NORMAL PERIOD CURRENT COMMERCIAL CREDIT).

5. WHITTAKER MEDICAL DIRECTOR THOMAS WADDELL TOLD ME HIS FIRM LIKELY INVESTIGATE ESTABLISHMENT THREE HOSPITALS AND ASSOCIATED MEDICAL CLINICS. (FYI. APPPEARANCE THIS ACTIVITY MAY INDICATE GOS HOPES NOT PROCEED WITH AT LEAST

SOME OF PENDING SOVIET MEDICAL HELP. END FYI.) HOSPITALS WOULD BE ASSOCIATED KHARTOUM UNIVERSITY MEDICAL SCHOOL IN ORDER PERMIT ADVANCED TRAINING SUDANESE DOCTORS. THIS SCHEME OBVIOUSLY NOT BANKABLE BUT WADDELL CLAIMED SAG NOW REPEAT NOW CONSIDERING SPECIFIC GRANT COVERING SUCH HEALTH PROJECTS SUDAN.

6. IN SEPARATE DISCUSSION FEB 6 WITH SRI REPS WILSON HARWOOD (FROM PALO ALTO), AND PETER DUNCAN (FROM SRI OPERATION SAUDI ARABIA), THEY CONFIRMED SRI EXPECTED BE ASKED NOT ONLY UNDERTAKE MAJOR DEVELOPMENT PLAN BUT ALSO SERVE AS TECHNICAL ADVISORS IN SPECIFIC FIELDS. WHILE FORMER WORK WOULD BE DONE UNDER CONTRACT TO GOS, LATTER WOULD PROBABLY BE DONE THROUGH CONTRACT WITH NEW MERCHANT BANK. SRI REPS NOTED OPERATION WOULD BE SIMILAR THAT WHICH FIRM HAS UNDERTAKEN IN SAUDI ARABIA FOR PAST FIVE YEARS AND IN FACT REFLECTED SAUDI INTEREST IN DEVELOPMENT ECONOMIC TIES WITH SUDAN, BOTH TO IMPROVE REGION'S STABILITY AND FOSTER ITS ECONOMIC PROSPERITY. HARWOOD (WHO INITIATED SRI WORK IN SAUDI ARABIA) RAISED QUESTION WHETHER DEVELOPMENT PLAN ACTIVITY BY SRI MIGHT OVERLAP WITH SIMILAR WORK TO BE UNDERTAKEN BY IBRD. HOWEVER, HE CLAIMED IDRIS HAD EXPRESSED DISSATISFACTION LATTER *ROJECT AND HAD ASSURED HIM POTENTIAL OVERLAPPING WOULD BE NO PROBLEM. SRI REP WILL BE RETURNING CALIFORNIA TO PREPARE SUBMISSION FOR GOS ON WHICH PROJECT AGREEMENT CAN BE BASED.

7. COMMENT. ASSUMING THIS COMPLEX OF PROJECTS NOW MOVES FORWARD ALONG LINES ABOVE OUTLINED, IT WILL MARK MAJOR EVOLUTION SUDANESE DEVELOPMENT AND BROADEN CONSIDERABLY US/SUDANESE TIES. VISIT OF KASHOGGI AND HIS ASSOCIATES CAPS FOUR-MONTH PERIOD NEGOTIATIONS WITH GOS. ACCORDINGLY, CONFIDENTIAL

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PAGE 04 KHARTO 00260 071202Z

WHILE NUMBER DETAILS REMAIN BE WORKED OUT, IT SEEMS CLEAR AT LEAST SOME OF SPECIFIC PROJECTS DISCUSSED WILL MATERIALIZE, PARTICULARLY VIEW OBVIOUS EXTENT SAUDI INTEREST AND FINANCIAL SUPPORT. MORE IMPORTANTLY, FROM OUR STANDPOINT, IS LIKELY ASSOCIATION EXPERIENCED AMERICAN PLANNING FIRM IN SUDANESE DEVELOPMENT EFFORT. IT MAY BE NO EXAGGERATION TO SAY THAT, WITH CATALYST SAUDI EQUITY CAPITAL, VERY REAL LONG-RANGE POTENTIAL WHICH SUDAN POSSESSES WILL NOW BE DEVELOPED WITH KEY ROLE BEING PLAYED BOTH IN PLANNING, AND IN SPECIFIC PROJECTS, BY OUTSTANDING AMERICAN FIRMS. WHILE USG OBVIOUSLY NOT DIRECTLY INVOLVED, IMPLICATIONS SUCH DEVELOPMENT FOR OUR OVER-ALL RELATIONS WITH SUDAN CAN HARDLY BE EXAGGERATED.

8. THAT NIMEIRI HIMSELF SEES THIS AS FURTHER STEP IN

EVOLUTION GOS/USG TIES WAS NO DOUBT PART OF REASON FOR MY
OWN INCLUSION IN FUNCTION, AS WAS HIS WISH TO CONFIRM TO
AMERICANS PRESENT THAT HIS REGIME IN OUR GOOD GRACES (AS
INDEED IT IS). PRESS PHOTOGRAPHS AND OTHER PUBLICITY
THIS MEETING FEATURED IN LOCAL MEDIA FEB 7 WILL SERVE INDICATE
TO SUDANESE THAT NIMEIRI CONTINUING HIS POST-1971 POLICY
OF FOSTERING GOOD RELATIONS WITH USG.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN INVESTMENT, TECHNICAL ASSISTANCE, CONTRACTS, FOREIGN ASSISTANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 07 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974KHARTO00260
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: KHARTOUM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740249/aaaabuez.tel
Line Count: 177
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: KHARTOUM 0064
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 22 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 MAR 2002 by golinofr>; APPROVED <23 APR 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KASHOGGI VISIT SIGNALS INCREASING TEMPO SAUDI/SUDANESE ECONOMIC COOPERATION WITH PARTICIPATION AMERICAN FIRMS
TAGS: PFOR, EAID, SA, SU, US, TRIAD CORPORATION
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005